



# Policy to Mitigate Energy Cost Impact

Understanding and Addressing Energy  
Affordability in the United States

NASEM Workshop  
Feb. 25, 2026

# Cost-Focused Instrument Choice

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## Policy Framing

1. Cost  $\neq$  price
2. Goal: prices reflect fundamentals
3. Diagnose cost drivers correctly (e.g., PJM)
4. Remedy artificial costs
5. Remedy competitive conditions

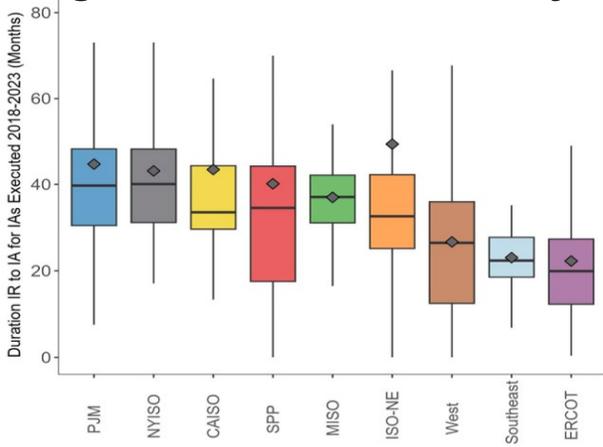
## Avoid

- Price controls: deter low-cost entry & OpEx
- Subsidies: *shift* but do not lower costs, deter cost-cutting efficiencies, add deadweight loss

## Reform

- *Artificial* barriers to entry/ exit (e.g., permitting)
- *Artificial* market power (e.g., cost-of-service)
- Enhance competition: (e.g., transparency and efficient market power mitigation)

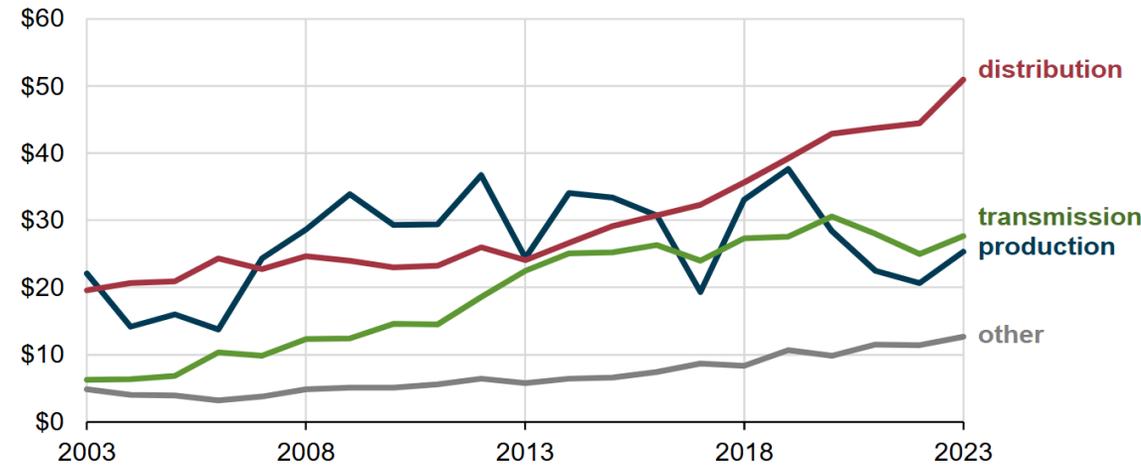
E.g., Interconnection Delays



# Cost-Conscious Power Reforms

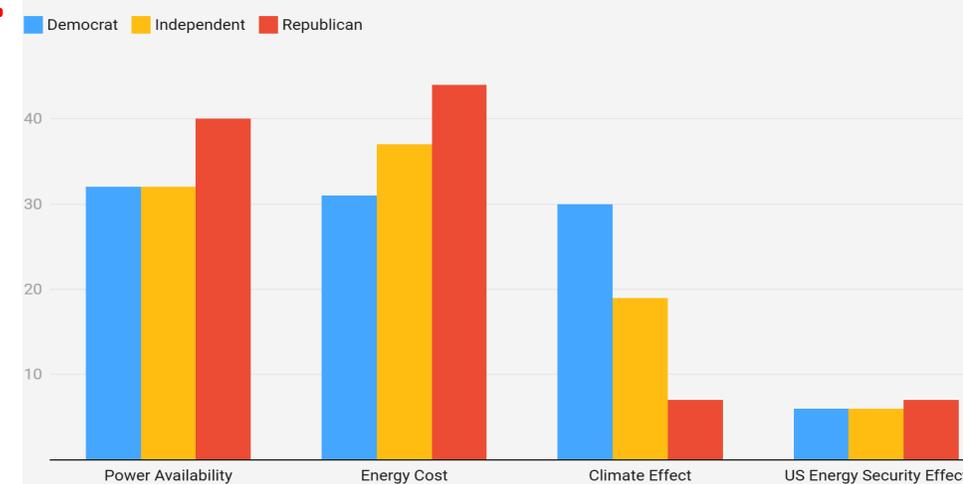
1. Accurate load forecasting
2. Economical T&D
3. Efficient markets
  - Wholesale & retail competition
4. Low entry/ exit barriers
  - Permitting/ siting
  - Interconnection
  - Legacy gen policy
5. Cost-minded emissions pivot
  - Negative & low-cost abatement

Annual U.S. capital additions by sector (2003–2023)  
billions of 2023 U.S. dollars



**2-4x gen entry time inc.**  
**Artificial barriers + supply chain delays**

Voters' Energy Values by Affiliation



For greater detail see R Street [comments](#) to DOE on Speed to Power. See also R Street & PPI via FAS [paper](#) on “Cost Come First in Reset Climate Agenda”. EIA [source](#).

# Transmission Reform

## Uneconomic Transmission BAU

CoS incentive & siting bias favors local T project overbuild & inter/regional underbuild  
>90% projects exempt from cost optimization, CBA, or competition

## Consumer Principles



First R Street-Consumer [report](#). Second forthcoming ( similar theme).

## Economic Principles

1. Upgrade existing system.  
*DOE & FERC action on ATTs, seams?*
2. Remove merchant barriers.
3. Use econ principles for planning & cost allocation, when needed.  
*e.g., CBA, beneficiary pays, proactive competitive bidding, O1920implem.*  
*e.g., interregional policy TBD*
4. Streamline permitting/ siting.
5. Improve governance.



# Permitting & Interconnection

- Permitting & siting

- States: biggest barriers, neg trend

Fixes: tie restrictions to demonstrated harm, better information, appeals process for property owners, tech-neutral leg/ process

- Fed: exec. heavy, mixed trends

Fixes: litigation risk, predictable, permanent

- Interconnection

- Top-push vs. bottom-up reform

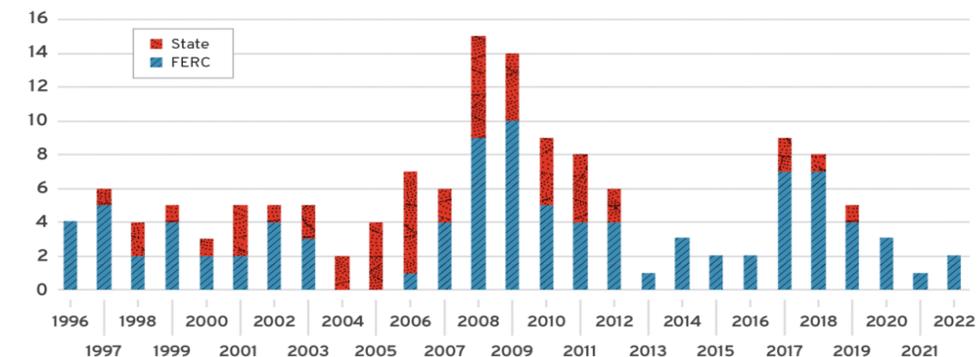
Fixes: best study & mngt practices, info tools, non-discriminatory fast-tracking, simplify deliverability, proactive Tx planning



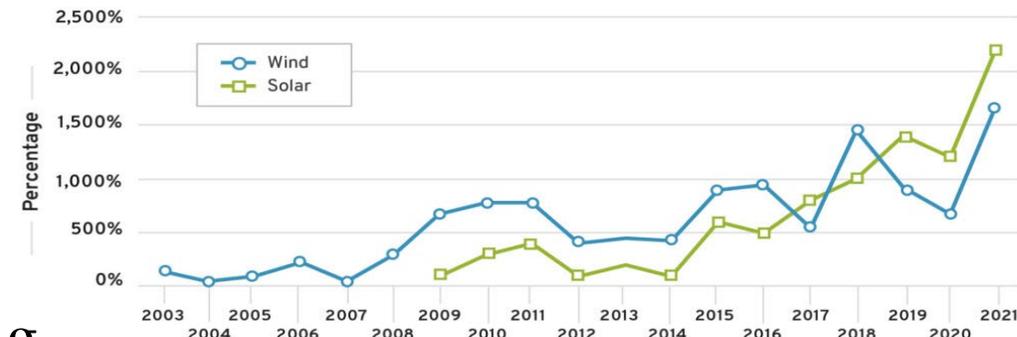
## 2030 Outlook (capacity accredited):

New storage (47%), solar (26%), new & uprated gas plants (20%), wind (6%), & nuclear restarts (1%)

Completed Pipeline Projects by Permitting Authority



Percent Change in Annual New Ordinances, Indexed to Start Year



# Thank you!

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# Appendix

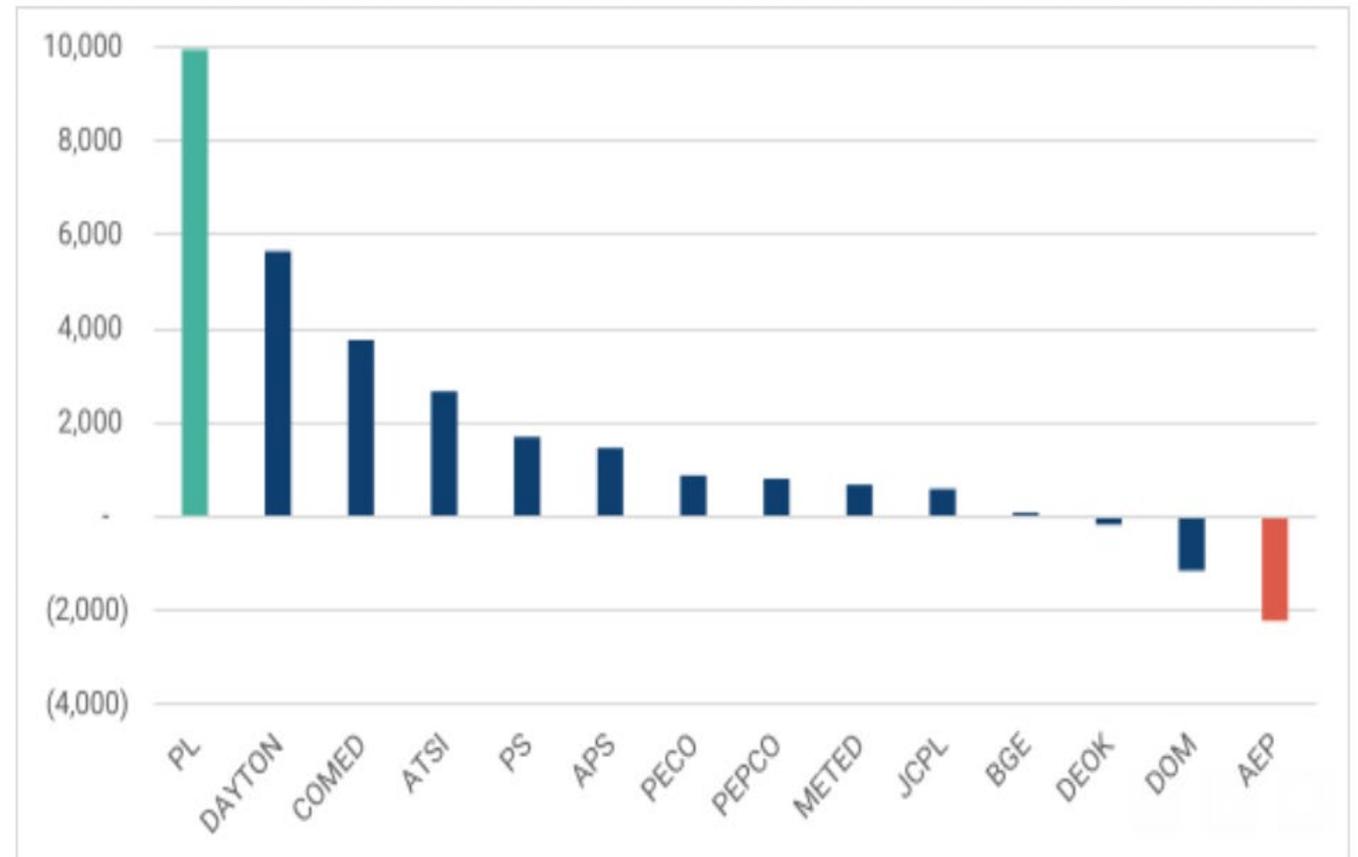
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# Load Forecasting Uncertainty

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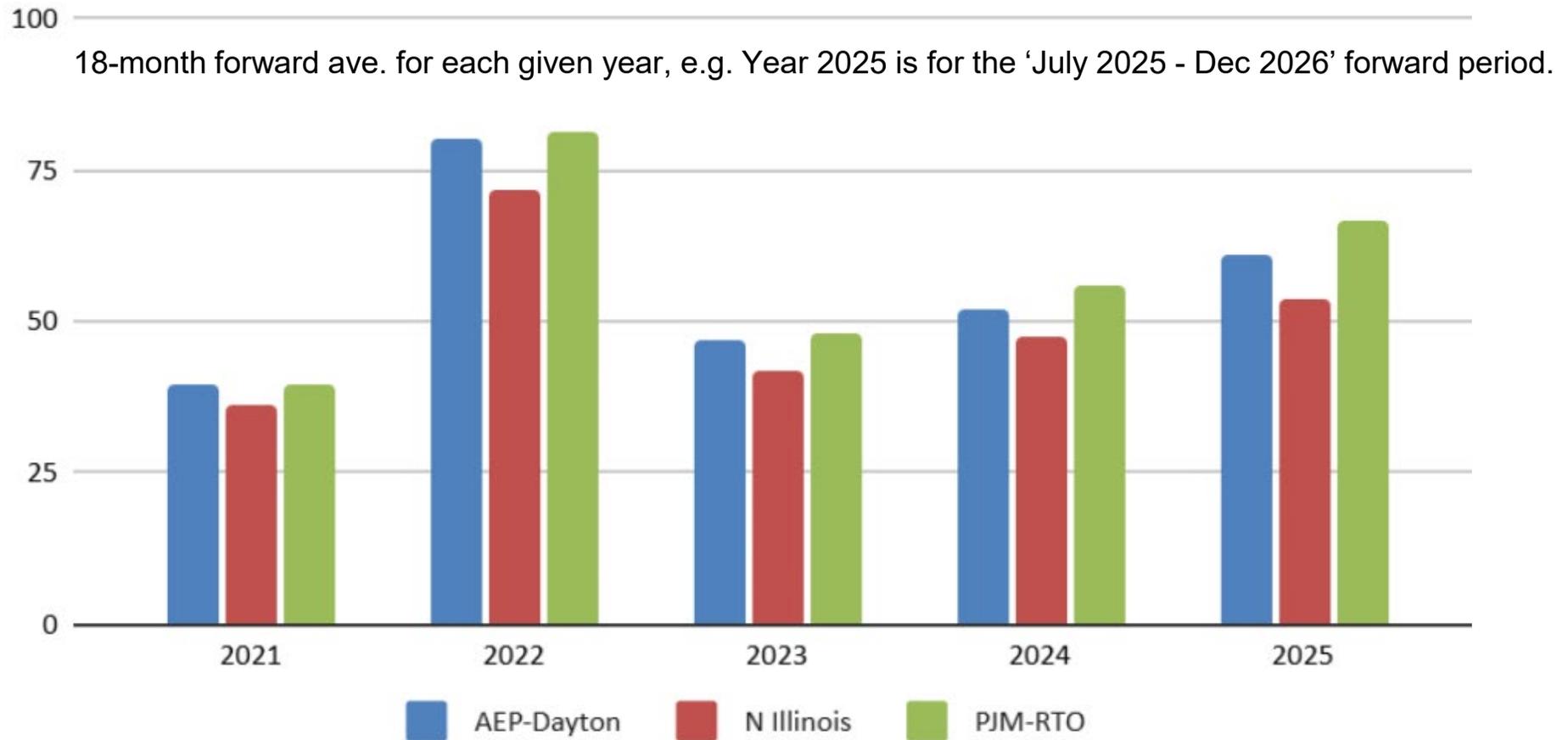
- Retail errors → wholesale problems
  - Methods & sources
- Accuracy options:
  - Load collateral req.
  - Indep. forecasting
  - PUC oversight
  - PUC-FERC coord.

PJM 2026 Utility Requests vs 2025 PJM Approved Large Load Adjustment Requests (MW): 2026-2031



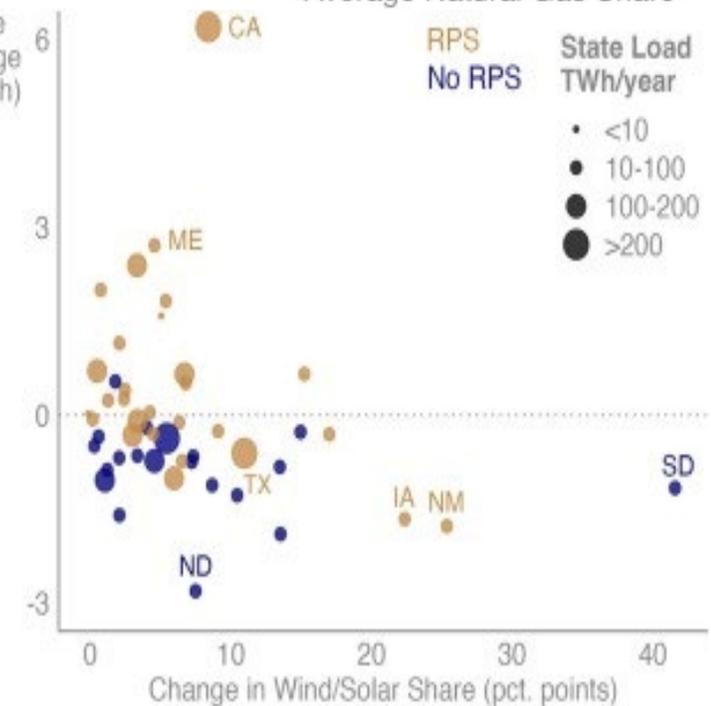
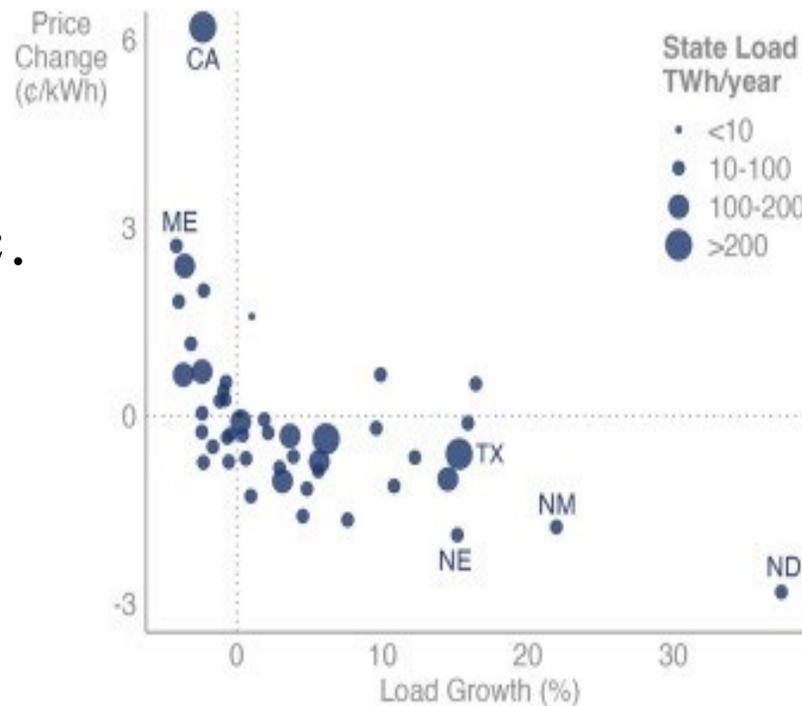
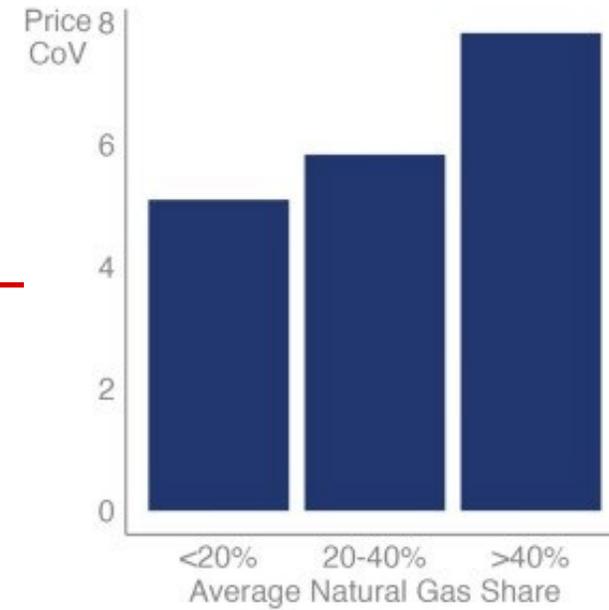
# Smart Money Trends

## Forward prices < implied utility forecasts

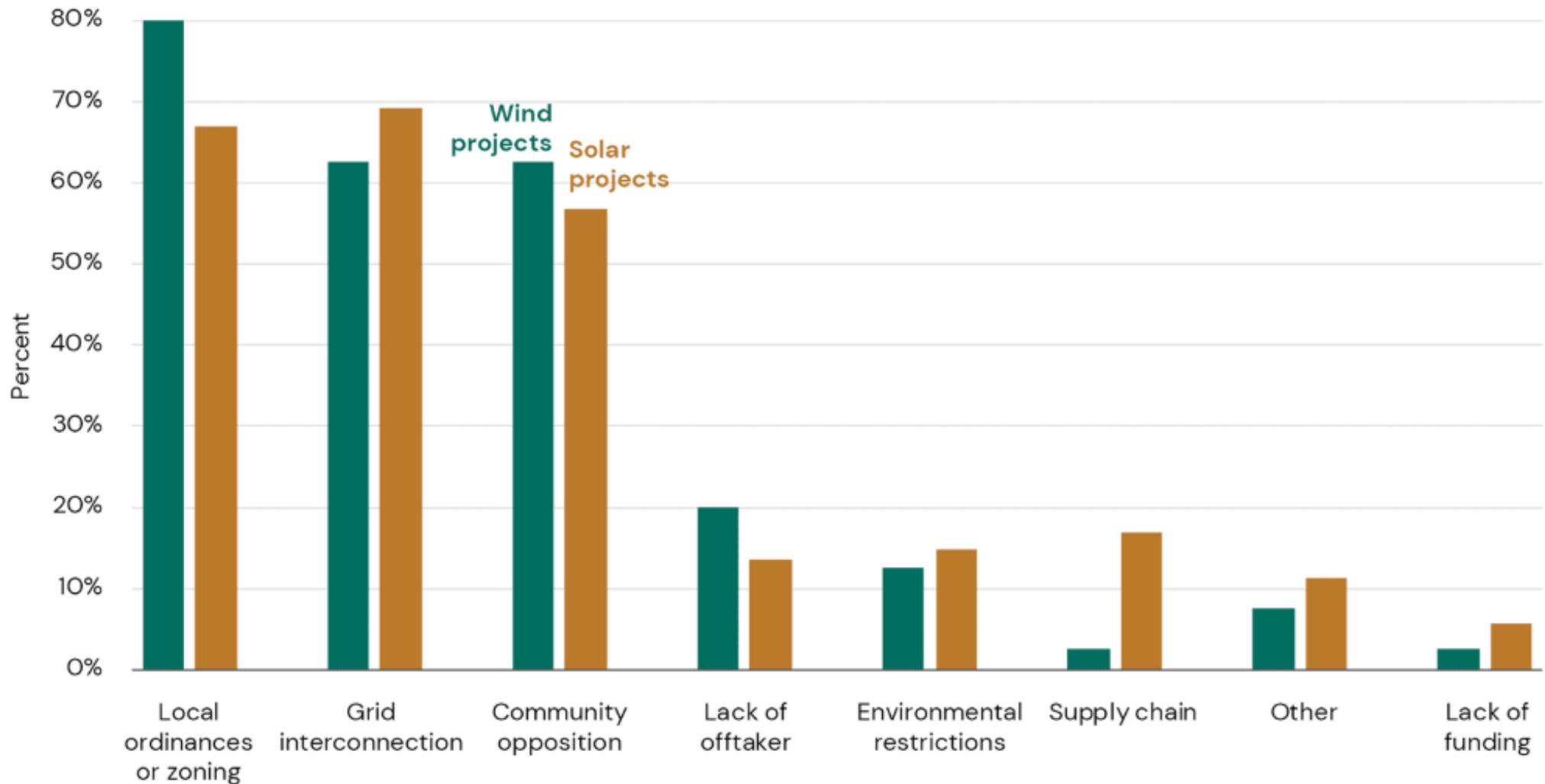


# Electric Price Drivers

- Inc. loads decreases prices
  - Past not prologue
- RPS inc. prices
  - Voluntary rnwbls do not
- Gas, natural disasters inc.
- T&D
- Markets not assessed



## Leading causes of cancellation for wind and solar projects, 2016–23



Source: Nilson, Hoen, and Rand 2023, p. 11.

Note: The sample consists of responses from 123 industry professionals from 62 companies, together responsible for about half of wind and solar capacity from 2016 to 2023. There are 88 solar projects and 44 wind projects. Respondents reported the top three reasons that a project was cancelled.

Source [link](#).

# Generation Post-OBBBA

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S&P: “Risk—not capital—is the constraint on wind and solar PV [photovoltaic] growth. A wide range of major players across the energy and finance industries have indicated no change to investment strategies—including investment in wind and solar PV—amid the dramatic change in tone from the US government, removal of climate-specific languages from websites, and select high-profile shifts, such as BP’s pivot back to fossil fuels.

This largely tracks with our understanding that considerable capital desires to invest in clean energy because it has market value even without subsidization. While we anticipate that less subsidy will consequently reduce investment, it is important to appreciate that other factors driving investment and the uptake of clean energy are still at work.”

**Figure 2: Reliability-Accredited Generation Capacity Awaiting Interconnection**



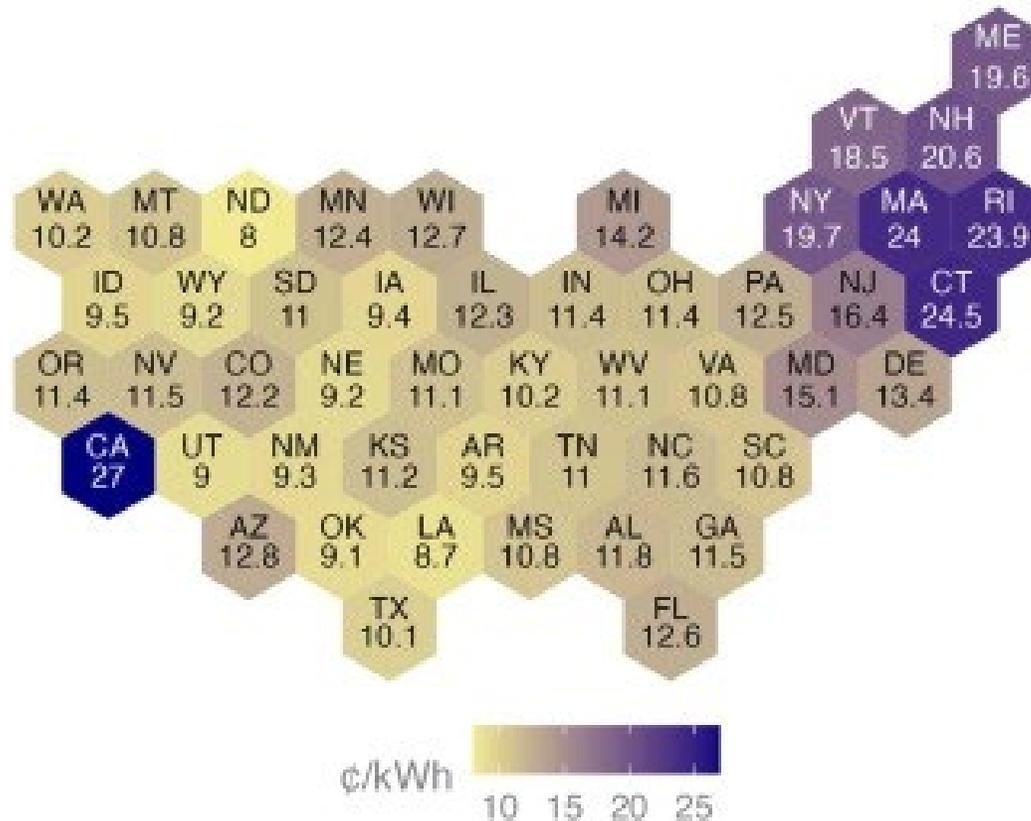
Note: Calculations exclude storage (1,028 GW). “Adjusted Interconnection” applies a 14 percent interconnection completion rate and uses capacity accreditation of 25 percent for wind, 38.75 percent for solar, and 90 percent for natural gas.

Source: Joseph Rand et al., “Queued Up: 2024 Edition,” Lawrence Berkeley National Laboratory, April 2024. [https://emp.lbl.gov/sites/default/files/2024-04/Queued%20Up%202024%20Edition\\_R2.pdf](https://emp.lbl.gov/sites/default/files/2024-04/Queued%20Up%202024%20Edition_R2.pdf); “Planning Year 2023-2024: Wind and Solar Capacity Credit Report,” Midcontinent Independent System Operator, March 2023. <https://cdn.misoenergy.org/2023%20Wind%20and%20Solar%20Capacity%20Credit%20Report628118.pdf>.

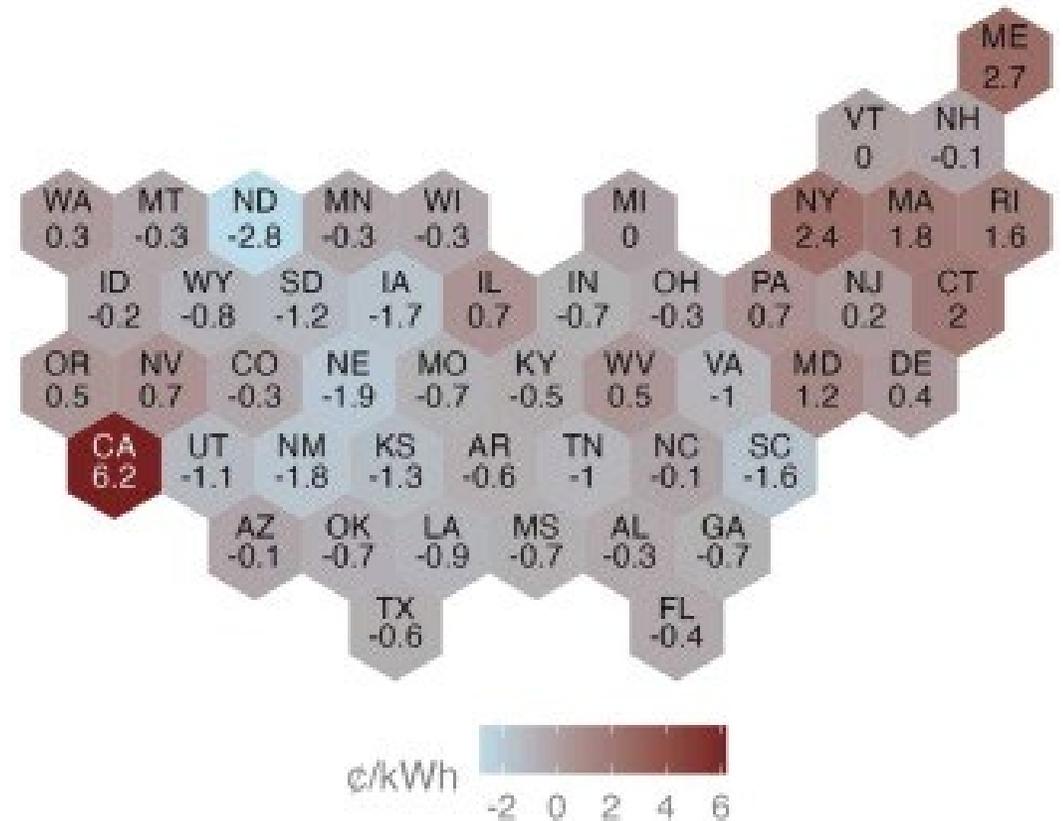


# Price Changes Vary by State

Average Retail Electricity Price in 2024



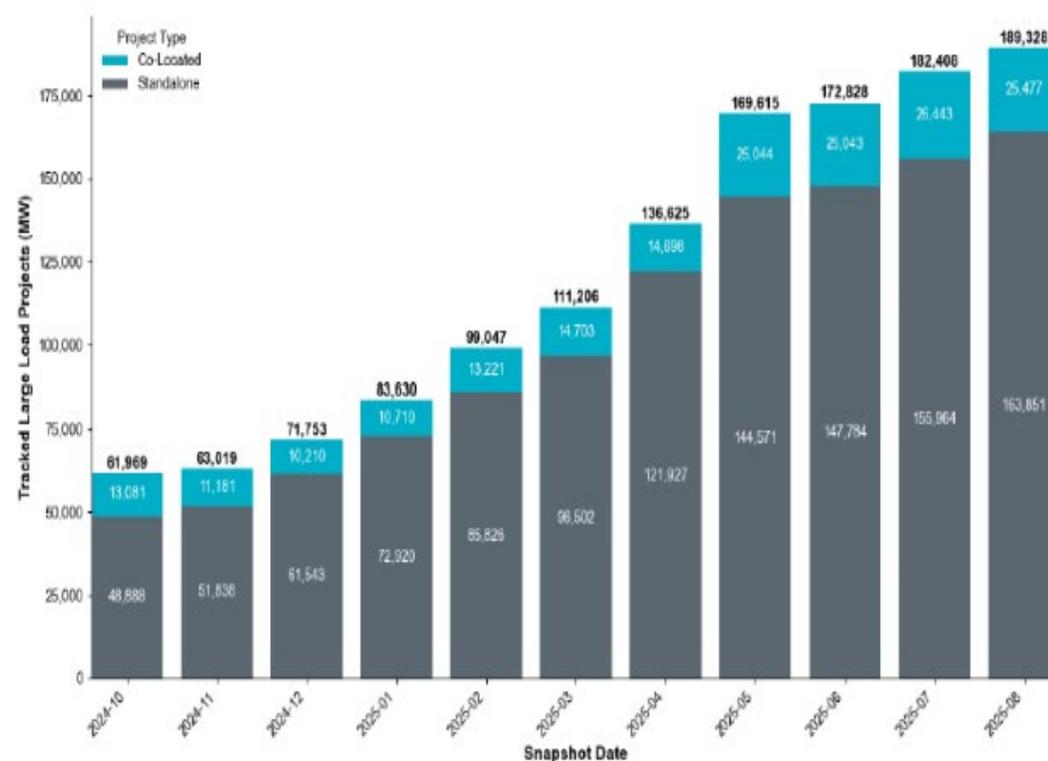
Change in Average Retail Electricity Price: 2019-2024



# ERCOT Case

## Large Load Queue – Past 12 Months

- Most load-growth ready state
- Market design improvements
- Large load rulemaking
- Transmission expansion
- Dispatchable reliability service reserve
- 1/2 of requested load materialized



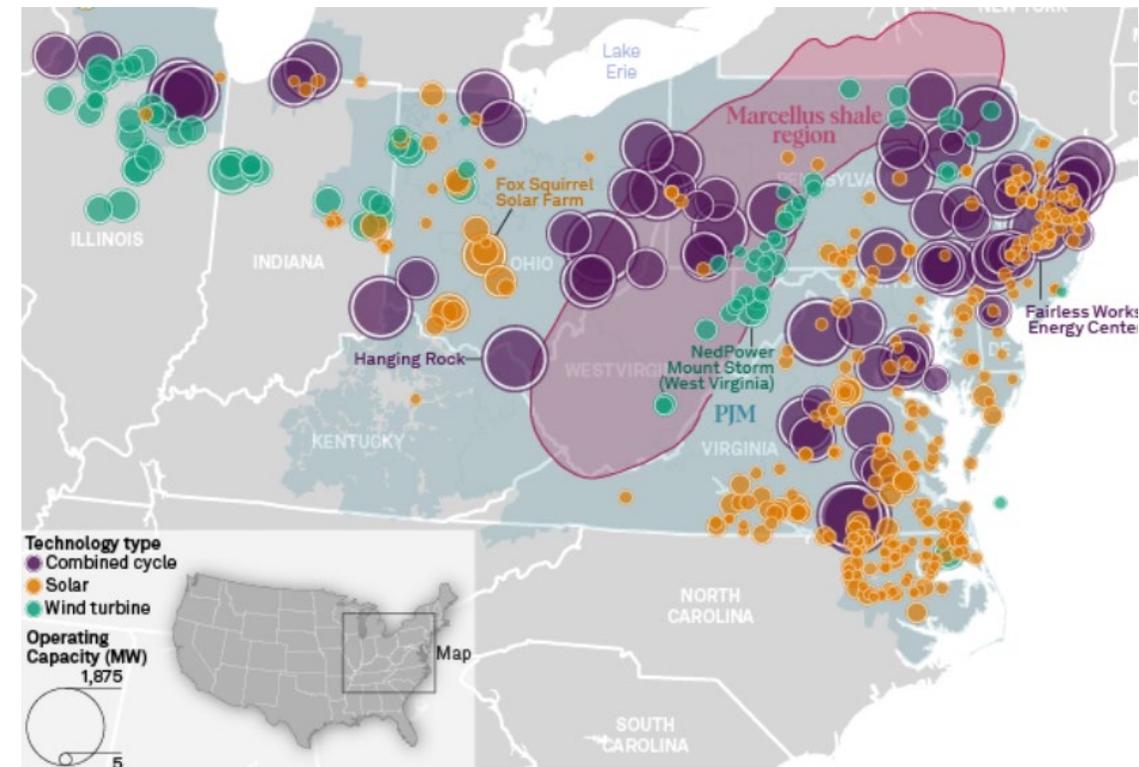
# PJM Case

- 2010s:
  - Combined cycle revolution
  - Sufficient IRRs, capital efficiency
- 2020s: **2-4x gen entry time inc.**
  - Entry barriers: state permitting/ siting + interconnection + supply chain backlogs
  - Market price < CoS utility self-supply
  - Initial under-forecasted load growth
  - Now over-forecasted load growth
  - Market retains economic legacy plants



**S&P Global**

**“Rising PJM capacity prices lift returns for all assets”**



# Generation Retirements Policy

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- Barriers to exit → barriers to entry
    - Flimsy emergency actions harm reliability
  - Reliability (RMR) refinements
    - Voluntary agreements → state shutdown reconciliation
    - Market design to min RMR need
    - Clear, transparent reliability criteria (no RA standard basis)
      - Dispatch  $\neq$  reliability need
    - Prevent RMR abuses
    - Action plan to alleviate the need
      - Market participants need clear forward expectations
- Mutes price signals**
- Minimal market distortion**

# Reliability Priorities

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Recommendation	Reliability Value	Impact Expedience	Considerations
Generator Winterization	High	Fast	Expedite planned changes.
Nat Gas Fuel Assurance	High	Fast	Remedy gas incentives; new reg authority unnecessary.
Flexible Demand	High	Intermediate	Most load shed events avoidable by curtailing low VOLL.
Generator Interconnection	High	Intermediate	Prioritize reforms of the consumer <a href="#">coalition</a> .
Premature retirements	Medium	Fast	Avoid creating barriers to entry by muting price signals.
Wholesale Market Design	Medium	Intermediate	Ensure reliability-compatible incentive structure.
State Resource Planning	Medium	Intermediate	Balkanized IRP needs to reflect regional conditions.
Conventional Transmission Expansion	Medium	Slow	Reliability value and planning void greatest at interregional scale.
Existing Transmission Expansion	Medium	Fast	AI Action Plan priority. Requires cost-of-service reg.
Institutional Coordination	Medium	Intermediate	Reliability institutions lack external policy influence.
Federal Permitting & siting	Medium	Intermediate	Congress, select fed agencies, EO compliance.
State Permitting & Siting	High	Intermediate	Interstate implications of state policy. Fed coordination.

Source: R Street Reliability Priorities [Paper](#)